

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NERI TO
AMERICAN POSTAL WORKERS UNION, AFL-CIO INTERROGATORY
(APWU/USPS-T4-17)
(February 21, 2012)**

The United States Postal Service provides the response of witness Neri (USPS-T-4) to the above-listed interrogatory of the American Postal Workers Union, AFL-CIO, dated February 7, 2012. The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NERI
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY

APWU/USPS-T4-17 At page 17 of your testimony, you state:

The proposed operating plan would allow for both the expansion of outgoing operations and service to a larger geographic area. The expanded operating window would take advantage of the economies of scale to “pack” the mail processing equipment. This would result in better equipment utilization and better use of the mail transportation equipment (MTE) and truck capacities.

a) Please explain the concept of economies of scale as applied in this answer. Please include in your explanation your view as to whether “taking advantage” of economies of scale equates to benefiting from economies of scale in order to achieve increases in workload per workhour productivity.

b) Do you believe that opportunities for taking advantage of economies of scale in processing operations are limited strictly to the aforementioned “packing of mail processing equipment” in response to expanding operating windows? If you do not believe this is the case, please identify what opportunities exist to benefit from economies of scale other than through increased equipment utilization attributable to expanding operating windows.

RESPONSE:

a) For purposes of this subpart, the term “economies of scale” refers to the ability to sustain efficient performance as a result of increased workload. The reference to “taking advantage” of economies of scale includes consideration of the potential benefits gained through increases in workload per work hour productivity.

b) In addition to increased equipment utilization attributable to expanding operating windows, there are other opportunities for benefits from economies of scale. One example is allied operations, which include truck loading and material handling activities such as moving mail between operations.